

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 PA-02 PRS-01 AID-05 CIAE-00

COME-00 EB-07 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04

OPIC-06 SP-02 CIEP-02 LAB-04 SIL-01 OMB-01 STR-04

/084 W

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R 101800Z AUG 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 1016

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 13392

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING AUGUST 9)

1. NEW FEDERAL LOAN: THE BETTER CONDITIONS ON THE
GERMAN BOND MARKET HAVE PERSUADED FEDERAL AUTHORITIES
TO FLOAT ANOTHER BOND ISSUE IN AUGUST, THE FIFTH THIS
YEAR. ON AUGUST 11, THE FEDERAL LOAN CONSORTIUM WILL
MEET TO CONSIDER FINANCIAL TERMS. BUNDESBANK OFFICIALS
TELL US THAT THE FEDERATION PROBABLY WILL ATTEMPT
AGAIN TO FLOAT AN ISSUE CONTAINING 2 TRANCHES OF
DIFFERENT MATURITIES AND HOPES TO PERSUADE THE CON-
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SORTIUM TO AS LARGE AS POSSIBLE A SUBSCRIPTION TO THE

LONGER TERM (POSSIBLY 8 YEARS) TRANCHE.

2. FOREIGN EXCHANGE MARKET: THE VALUE OF THE DOLLAR IN TERMS OF DEUTSCHEMARKS OSCILLATED WITHIN NARROW BANDS AROUND DM 2.54 DURING THE WEEK UNDER REVIEW. SPOT AND FORWARD FRANKFURT DOLLAR RATES FOLLOW:

	FORWARD DOLLARS				
	SPOT DOLLARS		(IN PERCENT PER ANNUM)		
	FIXING	OPENING	CLOSING	ONE-MONTH	THREE-MONTH
AUG 3	2.5352	2.5370	2.5420	-1.2	-1.4
4	2.5406	2.5420	2.5350	-0.9	-1.2
5	2.5350	2.5330	2.5380	-1.3	-1.5
6	2.5407	2.5390	2.5390	-1.5	-1.5
9	2.5388	2.5380	2.5450	-1.3	-1.5
10	2.5424	2.5430	N.A.	N.A.	N.A.

3. GERMAN BANK CREDIT FOR DENMARK: ON AUGUST 5, A GERMAN BANKING CONSORTIUM, LED BY WESTDEUTSCHE LANDESBANK, AND THE GOVERNMENT OF DENMARK FINALIZED CONDITIONS FOR A DM 750 MILLION LOAN TO THE DANISH GOVERNMENT. WESTDEUTSCHE LANDESBANK AND PARTNERS WILL RAISE DM 300 MILLION THROUGH THE SALE OF PROMISSORY NOTES, MATURITIES SPACED BETWEEN 5 AND 10 YEARS, INTEREST RATE HAS NOT BEEN MADE PUBLIC. THE REMAINING DM 450 MILLION WILL COME FROM THE RESOURCES OF THE CONSORTIUM. WESTDEUTSCHE LANDESBANK REPORTS THAT THE FULL DM 750 MILLION HAS ALREADY BEEN PLACED AND OBSERVERS BELIEVE A LARGE PORTION OF THE PROMISSORY NOTES HAVE BEEN PURCHASED BY ARAB INVESTORS.

4. BUNDESBANK FOREIGN POSITION: IN THE PERIOD JULY 24-31, THE BUNDESBANK'S NET FOREIGN POSITION REMAINED UNCHANGED AT DM 89.7 BILLION. CLAIMS ON THE EUROPEAN FUND FOR MONETARY COOPERATION DECLINED BY DM 855 MILLION DUE TO THE REPAYMENT OF OUTSTANDING DANISH LIABILITIES OWED TO THE FRG. THIS PAYMENT VIRTUALLY CLEARS THIS ACCOUNT. IN CONJUNCTION WITH THIS TRANSACTION FOREIGN EXCHANGE HOLDINGS INCREASED BY UNCLASSIFIED

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DM 847 MILLION. GERMANY'S IMF GOLD TRANCHE POSITION DECLINED BY DM 27 MILLION AND GROSS LIABILITIES FELL BY ABOUT DM 40 MILLION.

5. BANK LIQUIDITY: IN THE SAME PERIOD BANK LIQUIDITY INCREASED BY DM 2.4 BILLION. THE BASIC FACTOR INCREASING LIQUIDITY WAS A DM 7.6 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK REFLECTING USUAL END-OF-

MONTHS PAYMENTS BY PUBLIC AUTHORITIES. OTHER FACTORS
INCREASED LIQUIDITY BY DM 0.1 BILLION. LIQUIDITY WAS
REDUCED BY THE USUAL INCREASE IN CURRENCY IN CIRCULATION
AT THE END OF A MONTH (DM 3.5 BILLION) AND A DM 1.8
BILLION INCREASE IN THE BANKS' HOLDINGS OF RESERVES AT
THE BUNDESBANK. THE BANKS USED THE INCREASE IN LIQUI-
DITY TO REDUCE LOMBARD BORROWINGS BY DM 2.7 BILLION
(TO DM 3.9 BILLION). AT THE SAME TIME, HOWEVER, BANKS
INCREASED REDISCOUNT BORROWINGS BY DM 0.3 BILLION.

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R 101800Z AUG 76
FM AMEMBASSY BONN
TO SECSTATE WASHDC 1017
DEPARTMENT TREASURY
INFO AMEMBASSY BERN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
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6. MONEY MARKET: MONEY MARKET RATES EASED SLIGHTLY IN THE FRG DURING THE FIRST FULL WEEK IN AUGUST FOLLOWING A RESTOCKING OF BANK RESERVES HELD AT THE BUNDESBANK AT THE END OF JULY. RATES DEVELOPED AS FOLLOWS DURING THE REPORTING WEEK:

CALL MONEY ONE-MONTH THREE-MONTH

AUG 3	4.50	4.50	4.60
4	4.3-4.5	4.50	4.60
5	4.3-4.5	4.50	4.60

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6	4.2-4.4	4.45	4.50
9	4.2-4.3	4.45	4.50

7. 7. FEDERAL GOVERNMENT CENTRAL BANK ASSETS: FROM JULY 24 TO 31 ASSETS HELD BY THE FEDERAL GOVERNMENT AT THE BUNDESBANK DECLINED DM 4.0 BILLION AND TOTALLED DM 3.9 BILLION ON JULY 31. OVER THE SAME PERIOD, BUNDESBANK ASSETS OF THE STATE GOVERNMENTS LIKEWISE DECLINED, BY DM 4.2 BILLION TO DM 4.5 BILLION. THEREFORE, ON JULY 31 ASSETS OF FEDERAL AND STATE GOVERNMENTS TOTALLED DM 8.4 BILLION AS COMPARED WITH DM 16.6 BILLION ON JULY 23.

8. STOCK MARKET INDEX HITS YEARLY LOW: FOLLOWING A BRIEF RESURGENCE EARLIER THIS YEAR (STOCK INDEX PEAKED IN MARCH) THE FRANKFURT STOCK MARKET INDEX HAS BEEN LOSING GROUND OF LATE AND IN FACT RECORDED SUCCESSIVE YEARLY LOW POINTS ON AUGUST 2, 3 AND 9. ON THE 9TH, THE INDEX WAS 223.32 COMPARED TO THE HIGH POINT ON MARCH 17 OF 252.72.

9. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

SEASONALLY ADJUSTED BUNDESBANK DATA
MARCH APRIL MAY JUNE JULY

LIVING COSTS (1970

EQUALS 100)	140.0	140.7	141.1	140.9
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OF WHICH:

FOOD PRICES	140.6	141.5	141.9	140.4
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ALL OTHER	139.9	140.4	140.8	140.9
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PRODUCER PRICES:

OF WHICH:

INDUSTRIAL	139.3	140.2	141.0	-
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AGRICULTURAL	155.1	150.4	147.7	-
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BUILDING PERMITS

FOR HOUSING UNTIS

(1970 EQUALS 100) 85 82 - - -
RETAIL SALES VOLUME
(1970 EQUALS 100) 113 112 - - -

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RELEASED BY THE FEDERAL STATISTICAL
OFFICE

MAY JUNE JULY

LIVING COSTS (1970 EQUALS
100) 141.1 141.5 140.9
PERCENT INCREASE OVER
1975) 5.0 4.5 4.1

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R 101800Z AUG 76
FM AMEMBASSY BONN
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AUTO REGISTRATIONS
(THOUSANDS) 227.6 210.4 -
(PERCENT INCREASE
OVER 1975) 12.2 5.6 -

THE LATEST BUSINESS SURVEY DATA OF THE IFO ECONOMIC
RESEARCH INSTITUTE (COVERING JUNE) SHOW A SLIGHT
INCREASE IN THE MARGIN OF RESPONDENTS WHO THOUGHT THAT
THE CURRENT SITUATION WAS POOR OVER THOSE THAT
CHARACTERIZED IT AS BEING GOOD. THE NEGATIVE
MARGIN, WHICH HAD STILL COME TO 27 PERCENT IN JANUARY
BUT WHICH HAD DROPPED TO 8 PERCENT BY MAY, INCHED UP TO
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9 PERCENT IN JUNE. AS REGARDS EXPECTATIONS FOR THE
NEXT SIX MONTHS, THE NUMBER OF FIRMS EXPECTING A PICK-UP
OF BUSINESS CONTINUED TO EXCEED THE PESSIMISTIC RE-
SPONDENTS ; HOWEVER, THE POSITIVE MARGIN CONTINUED TO
DECLINE, INCHING DOWN FROM 14 PERCENT IN MAY TO 13
PERCENT IN JUNE.

10. OTHER CABLES SUBMITTED DURING THE WEEK: BONN 13064
(LOU) - INDUSTRIAL PRODUCTION, VOLUME OF NEW INDUSTRIAL
ORDERS AND UNEMPLOYMENT; BONN 13173 (UNCL) - GERMAN
BALANCE OF PAYMENTS IN JUNE.
HILLENBRAND

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To: SECSTATE WASHDC BERN BRUSSELS LONDON PARIS ROME TOKYO EC BRUSSELS
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